

## **BASIC FINANCIAL STATEMENTS**

**CITY OF LEESBURG, FLORIDA**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2003**

	<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Total</b>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 10,515,031	\$ 45,815,131	\$ 56,330,162
Investments		3,038,350	3,038,350
Receivables (Net)	504,699	7,594,612	8,099,311
Prepaid Items	14,203		14,203
Due from Other Governments	3,053,788	11,095	3,064,883
Inventories	78,149	1,747,025	1,825,174
Notes Receivable - Employees	159,752		159,752
Capital Assets, Net of Accumulated Depreciation:			
Land	7,927,051	7,039,212	14,966,263
Buildings and Improvements	16,576,520	59,792,215	76,368,735
Machinery and Equipment	3,264,422	11,991,121	15,255,543
Infrastructure	10,745,800		10,745,800
Construction in Progress	13,026,736	10,476,649	23,503,385
Unamortized Bond Issue Costs		431,872	431,872
<b>Total Assets</b>	<b>65,866,151</b>	<b>147,937,282</b>	<b>213,803,433</b>
<b>Liabilities</b>			
Accounts Payable	3,947,935	4,362,014	8,309,949
Accrued Liabilities	476,530	1,273,129	1,749,659
Customer Advances for Construction		40,634	40,634
Customer Deposits		2,137,597	2,137,597
Accrued Interest on Long-term Liabilities	186,940	680,118	867,058
Deferred Revenue	264,837		264,837
Long-term Liabilities:			
Due Within One Year	1,055,099	989,625	2,044,724
Due in More Than One Year	8,063,277	36,458,950	44,522,227
<b>Total Liabilities</b>	<b>13,994,618</b>	<b>45,942,067</b>	<b>59,936,685</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	44,299,444	62,855,687	107,155,131
Restricted for:			
Community Redevelopment	227,201		227,201
Public Safety	131,653		131,653
C.U.R.E. Program	1,088		1,088
Capital Projects	454,390	7,207,808	7,662,198
Debt Service	130,000	523,111	653,111
Gas Depository Trust		439,000	439,000
Unrestricted	6,627,757	30,969,609	37,597,366
<b>Total Net Assets</b>	<b>\$ 51,871,533</b>	<b>\$ 101,995,215</b>	<b>\$ 153,866,748</b>

The notes to the financial statements are an integral part of the financial statements.

**CITY OF LEESBURG, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2003**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
<b>Governmental Activities</b>							
General Government	\$ 1,451,272	\$ 213,724	\$ 0	\$ 1,081,907	\$ (155,641)	\$ 0	\$ (155,641)
Public Safety	9,478,560	707,634	260,495	6,630	(8,503,801)	0	(8,503,801)
Physical Environment	1,631,318	759,820	899,331	141,732	169,565	0	169,565
Transportation	2,266,516	529,970	315,585	2,763,466	1,342,505	0	1,342,505
Economic Environment	206,318	0	0	0	(206,318)	0	(206,318)
Human Services	82,812	0	0	0	(82,812)	0	(82,812)
Culture/Recreation	4,423,002	399,233	1,730	375,265	(3,646,774)	0	(3,646,774)
Interest on Long-term Debt	384,983	0	0	0	(384,983)	0	(384,983)
<b>Total Governmental Activities</b>	<b>19,924,781</b>	<b>2,610,381</b>	<b>1,477,141</b>	<b>4,369,000</b>	<b>(11,468,259)</b>	<b>0</b>	<b>(11,468,259)</b>
<b>Business Type Activities</b>							
Electric	35,935,969	40,018,906	0	157,647	0	4,240,584	4,240,584
Gas	6,621,244	6,673,500	0	0	0	52,256	52,256
Water	3,333,533	3,961,263	0	346,624	0	974,354	974,354
Wastewater	5,015,831	4,609,315	0	601,379	0	194,863	194,863
Solid Waste	2,624,743	2,855,808	0	0	0	231,065	231,065
Communication Services	347,789	389,125	0	0	0	41,336	41,336
Interest on Long-term Debt	1,407,567	0	0	0	0	(1,407,567)	(1,407,567)
<b>Total Business Type Activities</b>	<b>\$ 55,286,676</b>	<b>\$ 58,507,917</b>	<b>\$ 0</b>	<b>\$ 1,105,650</b>	<b>0</b>	<b>4,326,891</b>	<b>4,326,891</b>

**General Revenues**

Taxes:			
Property Taxes	2,995,147	0	2,995,147
Utility Service Taxes	2,124,715	0	2,124,715
Other Taxes	2,868,962	0	2,868,962
State Shared Revenues	1,155,991	0	1,155,991
Investment Income	231,198	1,053,329	1,284,527
Miscellaneous	61,585	234,470	296,055
Transfers from (to) Other Funds	7,944,022	(7,944,022)	0
<b>Total General Revenues, Special Items and Transfers</b>	<b>17,381,620</b>	<b>(6,656,223)</b>	<b>10,725,397</b>
<b>Change in Net Assets</b>	<b>5,913,361</b>	<b>(2,329,332)</b>	<b>3,584,029</b>
<b>Net Assets, Beginning</b>	<b>45,958,172</b>	<b>104,324,547</b>	<b>150,282,719</b>
<b>Net Assets, Ending</b>	<b>\$ 51,871,533</b>	<b>\$ 101,995,215</b>	<b>\$ 153,866,748</b>

The notes to the financial statements are an integral part of the financial statements.

**CITY OF LEESBURG, FLORIDA  
BALANCE SHEET  
ALL GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2003**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 5,980,292	\$ 249,311	\$ 910,237	\$ 7,139,840
Receivables (Net)	306,287		87,342	393,629
Due from Other Governments	542,295	1,750,020	761,473	3,053,788
Prepaid Items	14,203			14,203
Inventory	78,149			78,149
Notes Receivable - Employees	159,752			159,752
<b>Total Assets</b>	<u>7,080,978</u>	<u>1,999,331</u>	<u>1,759,052</u>	<u>10,839,361</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	679,797	1,544,941	226,435	2,451,173
Accrued Wages and Payroll Tax	456,284			456,284
Accrued Interest			186,940	186,940
Deferred Revenue	264,837			264,837
Due to Other Governments			20,246	20,246
Internal Balances	(530,605)		530,605	0
<b>Total Liabilities</b>	<u>870,313</u>	<u>1,544,941</u>	<u>964,226</u>	<u>3,379,480</u>
<b>Fund Balances</b>				
Reserved for:				
Notes Receivable - Employees	159,752			159,752
Computer Maintenance	53,781			53,781
Police Education and Other Expenditures	128,847			128,847
Fire Expenditures	2,806			2,806
Prepays	14,203			14,203
C.U.R.E. Program	1,088			1,088
Capital Projects		454,390		454,390
Operating Reserve	5,082,363			5,082,363
Community Redevelopment			249,893	249,893
Debt Service			130,000	130,000
Unreserved Reported in:				
General Fund	767,825			767,825
Special Revenue Funds			414,933	414,933
<b>Total Fund Balances</b>	<u>6,210,665</u>	<u>454,390</u>	<u>794,826</u>	<u>7,459,881</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 7,080,978</u>	<u>\$ 1,999,331</u>	<u>\$ 1,759,052</u>	<u>\$ 10,839,361</u>

The notes to the financial statements are an integral part of the financial statements.

**CITY OF LEESBURG, FLORIDA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**AS OF SEPTEMBER 30, 2003**

<b>Total Fund Balances of Governmental Funds</b>	\$ 7,459,881
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**Amounts Reported for Governmental Activities in the Statement of  
Assets are Different Because:**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$79,000,709, and the accumulated depreciation is \$27,460,180.	51,540,529
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The internal service fund is used by management to charge the costs of health insurance and workers' compensation services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	1,989,499
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Long-term liabilities are not due and payable in the current period and accordingly are not reported in the governmental funds.  
Long-term liabilities at year end consist of:

Capital Improvement Revenue Bonds	(7,045,000)
Note Payable	(196,085)
Suit Settlement Accrual	(330,000)
Compensated Absences	(1,547,291)
	(9,918,376)

<b>Total Net Assets of Governmental Activities</b>	\$ 51,871,533
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The notes to the financial statements are an integral part of the financial statements.

**CITY OF LEESBURG, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2003**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
Taxes	\$ 6,907,641	\$ 1,254,754	\$ 0	\$ 8,162,395
Licenses and Permits	431,630	0	0	431,630
Intergovernmental	1,524,804	3,086,080	2,407,130	7,018,014
Charges for Services	258,836	0	645,734	904,570
Fines and Forfeitures	288,317	0	0	288,317
Miscellaneous:				
Interest	138,100	75,947	17,151	231,198
Other	796,355	59,452	2,189	857,996
<b>Total Revenues</b>	<u>10,345,683</u>	<u>4,476,233</u>	<u>3,072,204</u>	<u>17,894,120</u>
<b>Expenditures</b>				
Current:				
General Government	1,072,010	0	0	1,072,010
Public Safety	9,154,635	0	0	9,154,635
Physical Environment	171,839	0	1,350,061	1,521,900
Transportation	1,134,593	0	0	1,134,593
Economic Environment	120,496	0	69,239	189,735
Human Services	45,769	0	0	45,769
Culture and Recreation	4,004,672	0	0	4,004,672
Capital Outlay	644,286	12,453,037	1,206,932	14,304,255
Debt Service:				
Principal Payments	60,000	0	138,370	198,370
Interest and Fees	0	0	384,983	384,983
<b>(Total Expenditures)</b>	<u>(16,408,300)</u>	<u>(12,453,037)</u>	<u>(3,149,585)</u>	<u>(32,010,922)</u>
<b>(Deficiency) of Revenues (Under)</b>				
<b>Expenditures</b>	<u>(6,062,617)</u>	<u>(7,976,804)</u>	<u>(77,381)</u>	<u>(14,116,802)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers from Other Funds	6,112,628	2,006,087	90,880	8,209,595
Transfers to Other Funds	(124,680)	0	(140,893)	(265,573)
<b>Total Other Financing Sources (Uses)</b>	<u>5,987,948</u>	<u>2,006,087</u>	<u>(50,013)</u>	<u>7,944,022</u>
<b>Net Change in Fund Balances</b>	(74,669)	(5,970,717)	(127,394)	(6,172,780)
<b>Fund Balances - Beginning</b>	<u>6,285,334</u>	<u>6,425,107</u>	<u>922,220</u>	<u>13,632,661</u>
<b>Fund Balances - Ending</b>	<u>\$ 6,210,665</u>	<u>\$ 454,390</u>	<u>\$ 794,826</u>	<u>\$ 7,459,881</u>

The notes to the financial statements are an integral part of the financial statements.

**CITY OF LEESBURG, FLORIDA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2003**

**Net Change in Fund Balances - Total Governmental Funds** \$ (6,172,780)

**Amounts Reported for Governmental Activities in the Statement of Activities are  
Different Because:**

Governmental funds report capital purchases as an expenditure. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense. This reconciling item is the amount by which capital purchases of \$14,304,255, less net book value of disposals of \$83,854 exceeded depreciation expense of \$2,743,097. 11,477,304

Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement on net assets. This is a list of those repayments.

Principal Repayments:

Capital Improvement Revenue Bonds	125,000
Note Payable	13,370
Lawsuit Settlement	60,000

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Compensated Absences	(161,457)
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The internal service funds are used by management to charge the costs of activities that benefit the entire government. The net revenue (expense) of the internal service funds is reported with governmental activities.	571,924
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<b>Change in Net Assets of Governmental Activities</b>	<b>\$ 5,913,361</b>
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The notes to the financial statements are an integral part of the financial statements.

**CITY OF LEESBURG, FLORIDA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2003**

	Business-type Activities			
	Electric Utility Fund	Gas Utility Fund	Water Utility Fund	Wastewater Utility Fund
<b>Assets</b>				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 14,088,419	\$ 3,568,067	\$ 7,967,362	\$ 2,248,199
Internal Balances	1,897,723			
Due from Other Governments				3,074
Receivables:				
Customer Accounts - Unbilled	2,586,074	304,002	280,473	338,203
Customer Accounts - Billed	3,393,585	247,063	212,561	467,331
(Allowance for Doubtful Accounts)	(399,982)	(68,467)	(44,928)	(61,999)
Miscellaneous Receivables				
Inventory	1,743,692			3,333
Total Current Assets	<u>23,309,511</u>	<u>4,050,665</u>	<u>8,415,468</u>	<u>2,998,141</u>
Noncurrent Assets:				
Restricted Assets:				
Equity in Pooled Cash and Equivalents:				
Debt Service Account	484,656	59,334	141,791	517,447
Renewal and Replacement Account	3,174,692	353,046	941,397	671,340
Impact Fees Account			1,158,543	908,790
Depository Trust Account		439,000		
Customer Deposits Account	1,863,704	113,960	110,175	44,315
FMPA Loan - Cash with Trustee	514,000		3,009,500	2,553,500
Investments:				
Crystal River Decommissioning Trust Account	3,038,350			
Total Restricted Assets	<u>9,075,402</u>	<u>965,340</u>	<u>5,361,406</u>	<u>4,695,392</u>
Property, Plant and Equipment:				
Land	398,126	95,111	121,945	6,395,330
Buildings and Improvements	50,104,183	8,547,955	13,919,489	20,913,201
Machinery and Equipment	11,723,755	1,528,027	2,501,922	12,113,392
(Accumulated Depreciation and Amortization)	(26,652,180)	(3,567,009)	(9,131,427)	(13,428,106)
Construction in Progress	4,199,251	576,065	2,376,860	2,666,635
Total Property, Plant and Equipment	<u>39,773,135</u>	<u>7,180,149</u>	<u>9,788,789</u>	<u>28,660,452</u>
Other Assets:				
Unamortized Bond Issue Costs	125,054	15,312	36,586	254,920
Total Noncurrent Assets	<u>48,973,591</u>	<u>8,160,801</u>	<u>15,186,781</u>	<u>33,610,764</u>
<b>Total Assets</b>	<u><u>\$ 72,283,102</u></u>	<u><u>\$ 12,211,466</u></u>	<u><u>\$ 23,602,249</u></u>	<u><u>\$ 36,608,905</u></u>

The notes to the financial statements are an integral part of the financial statements.



**CITY OF LEESBURG, FLORIDA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2003**  
*(Continued)*

<b>Business-type Activities (Concluded)</b>				<b>Governmental Activities</b>
<b>Total Combined Utility</b>	<b>Solid Waste</b>	<b>Communication Services</b>	<b>Total</b>	<b>Internal Service Funds</b>
\$ 27,872,047	\$ 836,815	\$ 41,636	\$ 28,750,498	\$ 3,375,191
1,897,723		(1,897,723)	0	
3,074	8,021		11,095	
3,508,752	184,734	16,635	3,710,121	
4,320,540	178,554	11,781	4,510,875	
(575,376)	(51,298)	290	(626,384)	
0			0	111,070
1,747,025			1,747,025	
<u>38,773,785</u>	<u>1,156,826</u>	<u>(1,827,381)</u>	<u>38,103,230</u>	<u>3,486,261</u>
1,203,228			1,203,228	
5,140,475			5,140,475	
2,067,333			2,067,333	
439,000			439,000	
2,132,154	1,415	4,028	2,137,597	
6,077,000			6,077,000	
3,038,350			3,038,350	
<u>20,097,540</u>	<u>1,415</u>	<u>4,028</u>	<u>20,102,983</u>	<u>0</u>
7,010,512	28,700		7,039,212	
93,484,828	66,890	2,351,352	95,903,070	
27,867,096	2,559,012	434,610	30,860,718	
(52,778,722)	(1,568,342)	(633,388)	(54,980,452)	
9,818,811		657,838	10,476,649	
<u>85,402,525</u>	<u>1,086,260</u>	<u>2,810,412</u>	<u>89,299,197</u>	<u>0</u>
431,872	0	0	431,872	0
105,931,937	1,087,675	2,814,440	109,834,052	0
<u>\$ 144,705,722</u>	<u>\$ 2,244,501</u>	<u>\$ 987,059</u>	<u>\$ 147,937,282</u>	<u>\$ 3,486,261</u>

The notes to the financial statements are an integral part of the financial statements.

**CITY OF LEESBURG, FLORIDA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2003**  
*(Continued)*

	<b>Business-type Activities</b>			
	<b>Electric Utility Fund</b>	<b>Gas Utility Fund</b>	<b>Water Utility Fund</b>	<b>Wastewater Utility Fund</b>
<b>Liabilities</b>				
Current Liabilities:				
Accounts and Retainage Payable	\$ 3,671,988	\$ 223,803	\$ 89,321	\$ 146,450
Accrued Expenses	1,131,490	41,699	30,201	37,022
Compensated Absences	197,718	49,689	65,123	66,503
Customer Advances for Construction	31,734			8,900
Estimated Landfill Closure Cost Payable				
Total Current Liabilities	<u>5,032,930</u>	<u>315,191</u>	<u>184,645</u>	<u>258,875</u>
Liabilities Payable from Restricted Assets:				
Customer Deposits	1,863,704	113,960	110,175	44,315
Accrued Interest on Revenue Bonds	225,966	27,644	66,998	359,510
Current Portion of Bonds Payable	258,849	31,689	75,730	158,732
Total Liabilities Payable from Restricted Assets	<u>2,348,519</u>	<u>173,293</u>	<u>252,903</u>	<u>562,557</u>
Noncurrent Liabilities:				
FMPA Loan Payable	514,000		3,009,500	2,553,500
Refunding Revenue Bonds Payable	8,708,432	1,066,123	2,547,752	13,542,693
(Unamortized Discount and Loss on Refunding)	(288,071)	(35,267)	(84,280)	(218,990)
Compensated Absences	161,769	40,655	53,282	54,411
Landfill Postclosure Costs Payable				
Decommissioning Costs Payable	3,979,150			
Total Noncurrent Liabilities	<u>13,075,280</u>	<u>1,071,511</u>	<u>5,526,254</u>	<u>15,931,614</u>
<b>Total Liabilities</b>	<u>20,456,729</u>	<u>1,559,995</u>	<u>5,963,802</u>	<u>16,753,046</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	30,867,959	6,089,960	7,182,589	14,818,507
Restricted for:				
Debt Service	258,690	31,690	74,794	157,937
Capital Projects	3,174,692	353,046	2,099,940	1,580,130
Gas Depository Trust		439,000		
Unrestricted (Accumulated Deficit)	<u>17,525,032</u>	<u>3,737,775</u>	<u>8,281,124</u>	<u>3,299,285</u>
<b>Total Net Assets</b>	<u>\$51,826,373</u>	<u>\$10,651,471</u>	<u>\$17,638,447</u>	<u>\$19,855,859</u>

The notes to the financial statements are an integral part of the financial statements.

**CITY OF LEESBURG, FLORIDA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2003**  
*(Concluded)*

<b>Business-type Activities (Concluded)</b>				<b>Governmental Activities</b>
<b>Total Combined Utility</b>	<b>Solid Waste</b>	<b>Communication Services</b>	<b>Total</b>	<b>Internal Service Funds</b>
\$ 4,131,562	\$ 171,968	\$ 58,484	\$ 4,362,014	\$ 25,608
1,240,412	22,478	10,239	1,273,129	1,471,154
379,033	36,592		415,625	
40,634			40,634	
0	49,000		49,000	
<u>5,791,641</u>	<u>280,038</u>	<u>68,723</u>	<u>6,140,402</u>	<u>1,496,762</u>
2,132,154	1,415	4,028	2,137,597	
680,118			680,118	
525,000			525,000	
<u>3,337,272</u>	<u>1,415</u>	<u>4,028</u>	<u>3,342,715</u>	<u>0</u>
6,077,000			6,077,000	
25,865,000			25,865,000	
(626,608)			(626,608)	
310,118	29,939		340,056	
0	824,352		824,352	
3,979,150			3,979,150	
<u>35,604,660</u>	<u>854,291</u>	<u>0</u>	<u>36,458,950</u>	<u>0</u>
44,733,572	1,135,744	72,751	45,942,067	1,496,762
58,959,015	1,086,260	2,810,412	62,855,687	
523,111			523,111	
7,207,808			7,207,808	
439,000			439,000	
<u>32,843,216</u>	<u>22,497</u>	<u>(1,896,104)</u>	<u>30,969,609</u>	<u>1,989,499</u>
<u>\$ 99,972,150</u>	<u>\$ 1,108,757</u>	<u>\$ 914,308</u>	<u>\$ 101,995,215</u>	<u>\$ 1,989,499</u>

The notes to the financial statements are an integral part of the financial statements.

**CITY OF LEESBURG, FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2003**

	<b>Business-type Activities</b>			
	<b>Electric Utility Fund</b>	<b>Gas Utility Fund</b>	<b>Water Utility Fund</b>	<b>Wastewater Utility Fund</b>
<b>Operating Revenues</b>				
Charges for Services	\$ 39,500,479	\$ 6,599,450	\$ 3,922,192	\$ 4,508,716
Other	518,427	74,050	39,071	100,599
<b>Total Operating Revenues</b>	<u>40,018,906</u>	<u>6,673,500</u>	<u>3,961,263</u>	<u>4,609,315</u>
<b>Operating Expenses</b>				
Power Generation and Transmission	1,473,051			
Purchased Energy	26,247,788	4,339,696		
Supply and Pumping				153,317
Treatment			792,210	1,231,252
Distribution and Collection	2,663,414	692,763	674,944	959,385
Customer Accounts	1,102,623	477,885	646,917	618,723
General and Administrative	1,943,168	831,739	663,821	724,135
Operating Expenses				
Depreciation and Amortization	2,395,475	276,254	555,641	1,309,310
Change in Postclosure Estimate				
<b>(Total Operating Expenses)</b>	<u>(35,825,519)</u>	<u>(6,618,337)</u>	<u>(3,333,533)</u>	<u>(4,996,122)</u>
<b>Operating Income (Loss)</b>	<u>4,193,387</u>	<u>55,163</u>	<u>627,730</u>	<u>(386,807)</u>
<b>Nonoperating Revenues (Expenses)</b>				
Investment Income	608,177	101,747	238,010	87,568
Capital Contributions/Impact Fees	157,647		346,624	601,379
Other Nonoperating Income	191,223		2,974	5,623
Interest Expenses	(481,530)	(57,146)	(133,876)	(718,043)
Other Nonoperating Expense	(110,450)	(2,907)		(19,709)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>365,067</u>	<u>41,694</u>	<u>453,732</u>	<u>(43,182)</u>
<b>Income (Loss) Before Operating Transfers</b>	<u>4,558,454</u>	<u>96,857</u>	<u>1,081,462</u>	<u>(429,989)</u>
<b>Operating Transfers</b>				
Transfers from Other Funds				
Transfers to Other Funds	(4,972,429)	(633,765)	(1,765,280)	(330,816)
<b>Total Operating Transfers</b>	<u>(4,972,429)</u>	<u>(633,765)</u>	<u>(1,765,280)</u>	<u>(330,816)</u>
<b>Change in Net Assets</b>	<u>(413,975)</u>	<u>(536,908)</u>	<u>(683,818)</u>	<u>(760,805)</u>
<b>Net Assets - Beginning of Year</b>	<u>52,240,348</u>	<u>11,188,379</u>	<u>18,322,265</u>	<u>20,616,664</u>
<b>Net Assets - End of Year</b>	<u>\$ 51,826,373</u>	<u>\$ 10,651,471</u>	<u>\$ 17,638,447</u>	<u>\$ 19,855,859</u>

The notes to the financial statements are an integral part of the financial statements.

**CITY OF LEESBURG, FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2003**  
*(Concluded)*

<b>Business-type Activities (Concluded)</b>				<b>Governmental Activities</b>
<b>Total Combined Utility</b>	<b>Solid Waste</b>	<b>Communication Services</b>	<b>Total</b>	<b>Internal Service Funds</b>
\$ 54,530,837	\$ 2,807,327	\$ 387,997	\$ 57,726,161	\$ 3,899,685
732,147	48,481	1,128	781,756	
55,262,984	2,855,808	389,125	58,507,917	3,899,685
1,473,051			1,473,051	
30,587,484			30,587,484	
153,317			153,317	
2,023,462			2,023,462	
4,990,506			4,990,506	
2,846,148			2,846,148	2,559,295
4,162,863		237,349	4,400,212	475,848
0	2,489,618		2,489,618	690,477
4,536,680	184,125	110,440	4,831,245	
0	(49,000)		(49,000)	
(50,773,511)	(2,624,743)	(347,789)	(53,746,043)	(3,725,620)
4,489,473	231,065	41,336	4,761,874	174,065
1,035,502	17,996	(169)	1,053,329	56,280
1,105,650			1,105,650	
199,820	34,650		234,470	341,579
(1,390,595)	(96)	(16,876)	(1,407,567)	
(133,066)			(133,066)	
817,311	52,550	(17,045)	852,816	397,859
5,306,784	283,615	24,291	5,614,690	571,924
0		33,800	33,800	
(7,702,290)	(240,576)	(34,956)	(7,977,822)	
(7,702,290)	(240,576)	(1,156)	(7,944,022)	0
(2,395,506)	43,039	23,135	(2,329,332)	571,924
102,367,656	1,065,718	891,173	104,324,547	1,417,575
\$ 99,972,150	\$ 1,108,757	\$ 914,308	\$ 101,995,215	\$ 1,989,499

The notes to the financial statements are an integral part of the financial statements.

**CITY OF LEESBURG, FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2003**

	<b>Business-type Activities</b>			
	<b>Electric Utility Fund</b>	<b>Gas Utility Fund</b>	<b>Water Utility Fund</b>	<b>Wastewater Utility Fund</b>
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$ 38,368,041	\$ 6,454,446	\$ 3,908,900	\$4,405,521
Cash Paid to Suppliers for Goods and Services	(28,906,328)	(5,534,362)	(2,105,733)	(2,638,109)
Cash Paid to Employees for Services	(2,491,301)	(678,316)	(771,392)	(1,060,575)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>6,970,412</u>	<u>241,768</u>	<u>1,031,775</u>	<u>706,837</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers to Other Funds	(4,972,429)	(633,765)	(1,765,280)	(330,816)
Transfers from Other Funds				
<b>Net Cash Provided by (Used in) Noncapital Financing Activities</b>	<u>(4,972,429)</u>	<u>(633,765)</u>	<u>(1,765,280)</u>	<u>(330,816)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Proceeds from Capital Debt	514,000		3,009,500	2,553,500
Issuance of/Proceeds from Interfund Loan	(860,149)			
Interest Paid on Revenue Bonds and Customer Deposits	(481,530)	(57,146)	(133,876)	(718,043)
Acquisition and Construction of Capital Assets	(6,047,089)	(851,600)	(1,526,960)	(519,205)
Proceeds from Sales of Fixed Assets	34,243	41,603	31,935	66,563
Principal Paid on Bond Maturities	(246,523)	(30,180)	(72,123)	(156,173)
Principal Paid on/Received from Interfund Loan	115,286			
Capital Contributions	157,647		346,624	601,379
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<u>(6,814,115)</u>	<u>(897,323)</u>	<u>1,655,100</u>	<u>1,828,021</u>
<b>Cash Flows from Investing Activities</b>				
Investment Income	608,177	101,747	238,010	87,568
Purchase of Crystal River Decommissioning Investments	(485,221)			
<b>Net Cash Provided by (Used in) Investing Activities</b>	<u>122,956</u>	<u>101,747</u>	<u>238,010</u>	<u>87,568</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(4,693,176)	(1,187,573)	1,159,605	2,291,610
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>24,818,647</u>	<u>5,720,980</u>	<u>12,169,163</u>	<u>4,651,981</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 20,125,471</u></u>	<u><u>\$ 4,533,407</u></u>	<u><u>\$ 13,328,768</u></u>	<u><u>\$ 6,943,591</u></u>

The notes to the financial statements are an integral part of the financial statements.

**CITY OF LEESBURG, FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2003**  
*(Continued)*

<b>Business-type Activities (Concluded)</b>				<b>Governmental Activities</b>
<b>Total Combined Utility</b>	<b>Solid Waste</b>	<b>Communication Services</b>	<b>Total</b>	<b>Internal Service Funds</b>
\$ 53,136,908	\$ 2,862,855	\$ 386,673	\$ 56,386,436	\$ 4,001,165
(39,184,532)	(1,922,160)	(100,615)	(41,207,307)	(2,982,809)
(5,001,584)	(530,128)	(77,093)	(5,608,805)	
<u>8,950,792</u>	<u>410,567</u>	<u>208,965</u>	<u>9,570,324</u>	<u>1,018,356</u>
(7,702,290)	(240,576)	(34,956)	(7,977,822)	
0		33,800	33,800	
<u>(7,702,290)</u>	<u>(240,576)</u>	<u>(1,156)</u>	<u>(7,944,022)</u>	<u>0</u>
6,077,000			6,077,000	
(860,149)		860,149	0	
(1,390,595)	(96)	(16,876)	(1,407,567)	
(8,944,854)	(170,317)	(900,031)	(10,015,202)	
174,344	12,995		187,339	
(504,999)			(504,999)	
115,286		(115,286)	0	
<u>1,105,650</u>			<u>1,105,650</u>	
<u>(4,228,317)</u>	<u>(157,418)</u>	<u>(172,044)</u>	<u>(4,557,779)</u>	<u>0</u>
1,035,502	17,996	(169)	1,053,329	56,280
(485,221)			(485,221)	
<u>550,281</u>	<u>17,996</u>	<u>(169)</u>	<u>568,108</u>	<u>56,280</u>
(2,429,534)	30,569	35,596	(2,363,369)	1,074,636
<u>47,360,771</u>	<u>807,661</u>	<u>10,068</u>	<u>48,178,500</u>	<u>2,300,555</u>
<u>\$ 44,931,237</u>	<u>\$ 838,230</u>	<u>\$ 45,664</u>	<u>\$ 45,815,131</u>	<u>\$ 3,375,191</u>

The notes to the financial statements are an integral part of the financial statements.

**CITY OF LEESBURG, FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2003**  
*(Continued)*

	<b>Business-type Activities</b>			
	<b>Electric Utility Fund</b>	<b>Gas Utility Fund</b>	<b>Water Utility Fund</b>	<b>Wastewater Utility Fund</b>
<b><u>Reconciliation of Cash and Cash Equivalents to Balance Sheet</u></b>				
Total Unrestricted Equity in Pooled Cash and Cash Equivalents	\$ 14,088,419	\$ 3,568,067	\$ 7,967,362	\$ 2,248,199
Total Restricted Equity in Pooled Cash and Cash Equivalents	6,037,052	965,340	5,361,406	4,695,392
<b>Total Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 20,125,471</u></b>	<b><u>\$ 4,533,407</u></b>	<b><u>\$ 13,328,768</u></b>	<b><u>\$ 6,943,591</u></b>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</u></b>				
Operating Income (Loss)	\$ 4,193,387	\$ 55,163	\$ 627,730	\$ (386,807)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Loss (Gain) on Fixed Asset Disposal	(30,148)	8,063	13,805	19,895
Depreciation and Amortization	2,395,475	276,254	555,641	1,309,310
Bad Debt Expense	(1,896)	14,147	(859)	5,461
Nonoperating Income	191,223		2,974	5,623
Nonoperating Expense	(110,450)	(2,907)		(19,709)
Change in Postclosure Estimate				
Decrease (Increase) in Assets:				
Customer Accounts	(1,648,969)	(233,201)	(51,504)	(209,255)
Miscellaneous Receivables				
Due from Other Governments				630
Inventory	(40,575)			804
Increase (Decrease) in Liabilities:				
Accounts Payable	1,102,205	104,507	(152,128)	(35,599)
Claims Payable				
Accrued Expenses	840,148	17,549	30,184	14,044
Customer Advances for Construction	10,744			
Customer Deposits	69,268	2,193	5,932	2,440
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b><u>\$ 6,970,412</u></b>	<b><u>\$ 241,768</u></b>	<b><u>\$ 1,031,775</u></b>	<b><u>\$ 706,837</u></b>

The notes to the financial statements are an integral part of the financial statements.



**CITY OF LEESBURG, FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2003**  
*(Concluded)*

<b>Business-type Activities (Concluded)</b>				<b>Governmental Activities</b>
<b>Total Combined Utility</b>	<b>Solid Waste</b>	<b>Communication Services</b>	<b>Total</b>	<b>Internal Service Funds</b>
\$ 27,872,047	\$ 836,815	\$ 41,636	\$ 28,750,498	\$ 3,375,191
17,059,190	1,415	4,028	17,064,633	
<u>\$ 44,931,237</u>	<u>\$ 838,230</u>	<u>\$ 45,664</u>	<u>\$ 45,815,131</u>	<u>\$ 3,375,191</u>
\$ 4,489,473	\$ 231,065	\$ 41,336	\$ 4,761,874	\$ 174,065
11,615	(10,650)		965	
4,536,680	184,125	110,440	4,831,245	
16,853	1,712	(290)	18,275	
199,820	34,650		234,470	341,579
(133,066)			(133,066)	
0	(49,000)		(49,000)	
(2,142,929)	5,335	(2,162)	(2,139,756)	
0			0	101,480
630	(6,513)		(5,883)	
(39,771)			(39,771)	
1,018,985	9,885	49,608	1,078,478	(59,406)
0			0	460,638
901,925	9,658	9,877	921,460	
10,744			10,744	
79,833	300	156	80,289	
<u>\$ 8,950,792</u>	<u>\$ 410,567</u>	<u>\$ 208,965</u>	<u>\$ 9,570,324</u>	<u>\$ 1,018,356</u>

The notes to the financial statements are an integral part of the financial statements.

**CITY OF LEESBURG, FLORIDA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**SEPTEMBER 30, 2003**

	<b>Employee Retirement Funds</b>
<b>Assets</b>	
Cash and Investments	\$ 38,752,284
Interest Receivable	92,016
<b>Total Assets</b>	<b>38,844,300</b>
<b>Liabilities</b>	
Due to Other Funds	0
<b>Total Liabilities</b>	<b>0</b>
<b>Net Assets</b>	
Reserved for: Employees' Pension Benefits	<u><u>\$ 38,844,300</u></u>

The notes to the financial statements are an integral part of the financial statements.

**CITY OF LEESBURG, FLORIDA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2003**

	<b>Employee Retirement Funds</b>
<b>Additions</b>	
Contributions:	
Employer	\$ 820,129
Employee	315,337
State of Florida	267,968
Total Contributions	<u>1,403,434</u>
Investment Income:	
Net Appreciation	
in Fair Value of Investments	3,221,703
Interest and Dividend Income	1,134,625
Other Income	7,788
Total Investment Income	<u>4,364,116</u>
<b>Total Additions</b>	<u>5,767,550</u>
<b>Deductions</b>	
Benefit Payments	1,704,123
Administrative Expense	<u>345,516</u>
<b>(Total Deductions)</b>	<u>(2,049,639)</u>
<b>Net Increase</b>	3,717,911
<b>Net Assets Reserved for Employees'</b>	
<b>Pension Benefits:</b>	
Beginning of Year	<u>35,126,389</u>
End of Year	<u><u>\$ 38,844,300</u></u>

The notes to the financial statements are an integral part of the financial statements.

## CITY OF LEESBURG, FLORIDA

### NOTES TO FINANCIAL STATEMENTS

#### Note 1 - Description of Funds and Summary of Significant Accounting Policies

The financial statements of the City of Leesburg, (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. For the reporting year ended September 30, 2003, the City has implemented GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. Significant City accounting policies are described below:

##### **Reporting Entity**

The City is a Florida municipality governed by an elected five-member City Commission. The City was established by the adoption of its Charter in the Laws of Florida, Chapter 9820, 1923.

The City provides services to its citizens including fire and police protection, electric, gas, water, wastewater, solid waste, parks and recreation, streets, and other general governmental activities. The City Commission is governed by the City Charter and by state and local laws and regulations. The City Commission is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Commission-appointed City Manager.

In evaluating the City as a reporting entity, management has addressed all potential component units for which the City may or may not be financially accountable and, if applicable has included them in the City's financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and: 1) it is able to impose its will on the organization; or 2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Management has determined that there are two includable component units:

- The City established the Greater Leesburg and Carver Heights Community Redevelopment Agencies as component units of the City. The Governing Boards are composed of the City Commission plus two members appointed by the City Commission, and are appropriately blended as governmental fund type component units into the primary government. Separate financial statements are not issued for either of the Redevelopment Agencies.

## CITY OF LEESBURG, FLORIDA

### NOTES TO FINANCIAL STATEMENTS (Continued)

#### Note 1 - Description of Funds and Summary of Significant Accounting Policies (Continued)

##### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds and proprietary funds; fiduciary funds are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

##### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

###### ▪ **Government-wide Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

###### ▪ **Fund Financial Statements**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

## CITY OF LEESBURG, FLORIDA

### NOTES TO FINANCIAL STATEMENTS (Continued)

#### Note 1 - Description of Funds and Summary of Significant Accounting Policies (Continued)

##### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation** (Continued)

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives cash.

The City operates the following major governmental funds:

- The **General Fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Capital Projects Fund** accounts for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

The proprietary funds are financed and operated in a manner similar to private business enterprises and extend outside the City limits in all cases except Solid Waste. Electric and gas utilities are served to Fruitland Park residents. The City reports the following major proprietary funds:

The **Electric Utility Fund** accounts for the purchase and distribution of electric services.

The **Gas Utility Fund** accounts for the purchase and distribution of gas services.

- The **Water Utility Fund** accounts for costs for collection, treatment and distribution of water services.
- The **Wastewater Utility Fund** accounts for costs to provide wastewater and sanitary sewer services.
- The **Solid Waste Fund** accounts for the collection, transportation, and disposal of solid waste.

## CITY OF LEESBURG, FLORIDA

### NOTES TO FINANCIAL STATEMENTS (Continued)

#### Note 1 - Description of Funds and Summary of Significant Accounting Policies (Continued)

##### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Concluded)**

- The **Communication Services Fund** accounts for the provision of communication services; such as, internet, fiber optic connections, and cellular tower rental.

Additionally, the City reports the following fund types:

- The **Special Revenue Funds** account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.
- The **Debt Service Funds** account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.
- The **Internal Service Funds** account for the financing of goods and services provided by one department to other departments of the governmental unit on a cost-reimbursement basis.
- The **Pension Trust Funds** account for the activities of the City's general employees', firefighters' and police officers' retirement systems, which accumulate resources for pension benefit payments to qualified retiring employees. They are excluded from the government-wide financial statements because they are fiduciary in nature and do not represent resources available to the government for operation.

##### **Summary of Significant Accounting Policies**

The City conforms all significant accounting policies to GAAP applicable to governmental units. The following is a summary of the more significant principles and practices used in the preparation of these financial statements.

- **Proprietary Funds**

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Based on the accounting and reporting standards set forth in GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the City has opted to apply only the accounting and reporting pronouncements issued by the Financial Accounting Standards Board (FASB) on or before November 30, 1989, for business-type activities and enterprise funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds

**CITY OF LEESBURG, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

**Note 1 - Description of Funds and Summary of Significant Accounting Policies *(Continued)***

**Summary of Significant Accounting Policies *(Continued)***

▪ **Proprietary Funds *(Concluded)***

and of the City's internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to generally use restricted resources first, and then unrestricted resources, as they are needed for their intended purposes, however, this decision is frequently made on a case-by-case basis based upon facts and circumstances.

▪ **Transfers**

Transfers are recognized in the accounting period in which the interfund receivable and payable arise. Transfers are made from the utility funds to finance operations of the general fund, and the general fund makes transfers to the special revenue funds.

▪ **Grants**

Unrestricted grants, entitlements or shared revenues received are reported as nonoperating revenues in all proprietary funds.

▪ **Cash Equivalents**

For purposes of the statement of cash flows, the City considers all highly liquid investments held outside of the City's pooled cash system (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. All cash and investments held by the pooled cash system are considered cash equivalents for the cash flow statement.

▪ **Investments**

In all funds, investments are stated at fair value in accordance with GASB Statement No. 31.

▪ **Receivables**

Utility operating revenues are generally recognized on the basis of cycle billings rendered monthly. The amount of services delivered after the last billing date and up to September 30, is estimated and accrued at year-end.

▪ **Inventories**

All inventories, including fuel held for consumption, are priced by the weighted-average cost method at the lower of cost or market. Inventory is accounted for by use of the consumption method.



## CITY OF LEESBURG, FLORIDA

### NOTES TO FINANCIAL STATEMENTS (Continued)

#### Note 1 - Description of Funds and Summary of Significant Accounting Policies (Continued)

##### Summary of Significant Accounting Policies (Continued)

###### ▪ **Amortization**

Bond issue costs and discounts are amortized over the life of the bonds using the effective interest method.

###### ▪ **Cost Reimbursements**

Certain personal services and operating expenses recorded in various funds and departments are a result of services performed and expenses/expenditures incurred for the benefit of other funds and departments. Cost reimbursements are recorded as a contra-expense in the receiving division of the fund. The funds and departments that benefit from the services and expenses/expenditures record a cost reimbursement as an increase in expenditures or expenses.

###### ▪ **Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital asset purchases are recorded as capital outlay expenditures in the fund level governmental funds in the year of acquisition. Property, plant, and equipment with initial, individual costs that equal or exceed \$1,000 and estimated useful lives of over one year are recorded as capital assets. Roads, bridges, and sidewalks are capitalized when their initial costs equal or exceed \$25,000 and possess estimated useful lives of more than one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of major business-type activities is included as part of the capitalized value of the assets constructed. During 2003, no interest was capitalized.

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings	10 - 50 Years
Improvements Other than Buildings	15 - 50 Years
Utility Plant	10 - 50 Years
Vehicles and Equipment	5 - 50 Years
Infrastructure	15 - 60 Years

## CITY OF LEESBURG, FLORIDA

### NOTES TO FINANCIAL STATEMENTS (Continued)

#### Note 1 - Description of Funds and Summary of Significant Accounting Policies (Continued)

##### Summary of Significant Accounting Policies (Continued)

- **Capital Assets (Concluded)**

Expenditures for repairs and maintenance are expensed when incurred. Additions, major renewals and replacements that increase the useful lives of the assets are capitalized.

- **Compensated Absences**

Personnel policies allow employees to accumulate a maximum of 45 days vacation leave and unlimited sick leave. Upon termination, employees are paid for their accrued vacation leave and 50% of their accrued sick leave balance up to 200 hours. Upon retirement, employees are paid for their accrued vacation and 50% of their accrued sick leave balance up to 400 hours.

In governmental and proprietary fund financial statements, the amount of compensated absences associated with employee vacations that are recorded as expenditures (expenses) represent the amounts paid during the year, plus the amount accrued at year-end that would normally be liquidated with available spendable resources. Only the amount of the compensated absence liability that would normally be liquidated with current expendable available resources in the next fiscal year is recorded in the fund financial statements. In the government-wide financial statements, all governmental fund compensated absences are recorded and split between the current and noncurrent portions.

The entire liability for compensated absences of these funds is reflected in the respective financial statements split between the current and noncurrent portions.

- **Long-term obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets.

- **Encumbrances**

Encumbrances represent contractual commitments in the form of purchase orders and contracts. Such encumbrances are not recorded as current year expenditures. They will become expenditures upon vendor performance and will be charged against the ensuing year's budget. Encumbrances outstanding at year-end are deemed canceled and amounts sufficient to reestablish the commitment are included in the appropriations for the subsequent year.

- **Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted for specific purposes. Designations of fund balances represent tentative management plans that are subject to change.

## CITY OF LEESBURG, FLORIDA

### NOTES TO FINANCIAL STATEMENTS (Continued)

#### Note 1 - Description of Funds and Summary of Significant Accounting Policies (Continued)

##### Summary of Significant Accounting Policies (Continued)

- **Fund Equity (Concluded)**

Fund balances and unrestricted net assets are designated in the fund level financial statements, with the exception of the operating reserve for the enterprise funds or business-type activity, which totals \$20,106,656 of the unrestricted net assets.

- **Comparative Data/Reclassifications**

Since this is the year of implementation of GASB Statement No. 34 for the City, comparative total data for the prior year has not been presented in the financial statements. Also, certain amounts presented in the prior year may have been reclassified in order to be consistent with the current year's presentation.

As of October 2001, the City began to depreciate capital assets in the general fixed asset category. Although the prior year is not being presented, those amounts could be made available upon request. The City chose to complete the inventory of all infrastructure assets and are included in the current year financial statements.

- **Property Taxes**

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation method state-wide. Florida Statutes permit municipalities to levy property taxes at a rate of up to 10 mills.

The tax levy of the City is established by the City Commission prior to October 1 of each year and the Lake County Property Appraiser incorporates the City millages into the total tax levy, which includes the County and the County School Board tax requirements.

Chapter 193, Florida Statutes, requires that all property shall be assessed at just or fair value as of January 1 of each year. Each assessment roll is submitted to the Executive Director of the Florida Department of Revenue for review to determine if it meets all of the appropriate requirements of the Florida Statutes.

All taxes are assessed, due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the County Tax Collector. Unpaid taxes become delinquent on April 1 of the subsequent year. Discounts are allowed at the rate of 4% in November, 3% in December, 2% in January, and 1% in February. The taxes paid in March are without discount.

On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. After sale, tax certificates bear interest of 18% per year or any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Unsold certificates are held by the County.

## CITY OF LEESBURG, FLORIDA

### NOTES TO FINANCIAL STATEMENTS (Continued)

#### Note 1 - Description of Funds and Summary of Significant Accounting Policies (Continued)

##### Summary of Significant Accounting Policies (Concluded)

###### ▪ **Property Taxes (Concluded)**

The City does not accrue its portion of the County held tax sales certificates or personal property tax warrants because such amounts are not measurable and available as of the balance sheet date.

Delinquent taxes on personal property bear interest of 18% per year until the tax is satisfied either by seizure and sale of property or by the five-year statute of limitations.

#### Note 2 - Stewardship, Compliance, and Accountability

###### ▪ **Budgetary Information**

The City's procedures in preparing and adopting the annual budget are as follows:

- The City Manager is responsible for preparing a proposed operating budget for all governmental funds for the upcoming year prior to September 30, that includes estimated revenues, proposed expenditures, and other financing sources and uses.
- Public hearings are held to obtain taxpayer comments and suggestions. The budget is enacted through passage of an ordinance.
- The City Manager is authorized to transfer budgeted amounts within any fund, but may not revise total fund expenditures without the approval of the City Commission. The budgetary data presented is in agreement with the originally adopted budget as amended by the City Commission.
- Formal budgetary integration is employed as a management control device during the year for substantially all funds. Budgets are adopted on a basis consistent with GAAP. Total budgeted appropriations within a governmental fund type may not be exceeded legally. Appropriations lapse at the end of the year. Budget data, when presented in the basic financial statements, is prepared on the same basis of accounting as that prescribed for the fund.

During the year, the City made supplemental budget appropriations that increased or decreased the budgets as indicated below:

	<b>Original Adopted</b>	<b>Final Amended</b>	<b>Increase (Decrease)</b>
General Fund	\$ 22,245,635	\$ 23,122,061	\$ 876,426
Special Revenue Funds	1,556,232	3,192,897	1,636,665
Debt Service Fund	629,330	629,330	0
Capital Projects Fund	14,579,257	15,673,076	1,093,819
<b>Total Governmental Funds</b>	<b>\$ 39,010,454</b>	<b>\$ 42,617,364</b>	<b>\$ 3,606,910</b>

## **CITY OF LEESBURG, FLORIDA**

### **NOTES TO FINANCIAL STATEMENTS** *(Continued)*

#### **Note 2 - Stewardship, Compliance, and Accountability (Concluded)**

- **Excess of Expenditures Over Appropriations**

No individual funds contained an excess of expenditures over appropriations during the fiscal year ended September 30, 2003. However, within various programs, there may be some excesses of expenditures over appropriations at the line item level.

#### **Note 3 - Deposits and Investments**

##### **Pooled Cash and Investments**

The City maintains a cash and investment pool which carries substantially all cash and investments of the City, and is used by all funds except the pension trust funds. Each fund's portion of the pool is displayed in the accompanying basic financial statements as "Equity in Pooled Cash and Cash Equivalents." The cash and investments of the pension trust funds are held separately from those other funds of the City.

##### **Deposits**

All of the City's deposits are maintained in banks and financial institutions which are covered by the Florida Security for Public Deposits Act (the Act); Chapter 280 of the Florida Statutes. The Act established a multiple financial institution collateral pool with the ability to assess member institutions to provide protection which is similar to depository insurance. At September 30, 2003, the carrying amount of the City's deposits was \$1,695,006 and the bank balance was \$536,960.

##### **Investments**

Florida Statutes, the City Charter and investment policies authorize the investment of funds in time deposits or savings accounts of financial institutions approved by the State Treasurer, and obligations of the U.S. Government and its agencies and mutual funds. Investments may also include repurchase agreements and deposits with the State Board of Administration pool. Revenue bond covenants also restrict the type and maturities of investments in bond-related funds.

Investments of the municipal police officers' retirement trust fund may be held in bonds, stocks, or other evidence of indebtedness issued or guaranteed by a corporation under the laws of the United States provided the corporation meets certain rating and profitability criteria.

Investments of the municipal firemen's retirement trust fund and the general employees' pension fund may be invested in accordance with Florida Statutes as previously described.

A summary of the carrying amount and market value of all City investments classified by category of credit risk follows:

# CITY OF LEESBURG, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

### Note 3 - Deposits and Investments (Continued)

#### Investments (Continued)

	Category of Risk			Fair Value
	1	2	3	
<b>Pooled Investments</b>				
SunTrust Bank Repurchase Agreement	\$ 0	\$ 0	\$ 7,390,000	\$ 7,390,000
U.S. Treasury Bills, Notes and Bonds	0	0	27,207,124	27,207,124
<b>Pension Trust and Agency Fund Investments</b>				
Corporate Stocks	0	0	19,771,934	19,771,934
Corporate Bonds	0	0	10,478,962	10,478,962
U.S. Treasury Notes and Municipal Bonds	0	0	7,243,017	7,243,017
<b>Subtotal</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 72,091,037</u>	<u>72,091,037</u>
FMPA Crystal River Decommissioning Trust				3,038,350
State Board of Administration of Florida, Local Government Pooled Investment Account				12,889,602
Mutual Fund Investments - Pension Investment				<u>1,258,371</u>
<b>Total Investments</b>				<u>\$ 89,277,360</u>
				<b>Carrying Amount</b>
Carrying Amount of Deposits				\$ 2,766,436
Cash with Fiscal Agent				6,077,000
Carrying Amount of Investments (Above)				<u>89,277,360</u>
<b>Total</b>				<u>\$ 98,120,796</u>
<b>Shown in the Accompanying Combined Balance Sheet as:</b>				
Equity in Pooled Cash and Investments				\$ 30,150,178
Cash and Investments at Market Value				47,867,634
Restricted Assets:				
Equity in Pooled Cash, Cash Equivalents and Investments				<u>20,102,984</u>
<b>Total</b>				<u>\$ 98,120,796</u>

Levels of credit risk assigned to the above investments are based on an evaluation in accordance with GASB Statement No. 3 to give an indication of the level of risk assumed at year end. **Category 1** includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. **Category 2** includes uninsured and unregistered investments with securities held by the counterparty's trust department or agent in the City's name. **Category 3** includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the City's name.

The State Board of Administration deposits in Tallahassee, Florida are maintained in an investment pool which invests primarily in commercial paper, repurchase agreements, bankers' acceptance notes and U.S. Government obligations. The carrying value of the investment pool approximates market value due to the short-term nature of the underlying investments of the pool. The pool receives regulatory oversight from the State of Florida.

# CITY OF LEESBURG, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

### Note 3 - Deposits and Investments (Concluded)

#### **Investments (Concluded)**

The following pension investments, including U.S. Government and U.S. Government guaranteed obligations, exceed 5% of the net assets available for pension benefits:

	<u>Fair Value</u>	<u>Percentage of Plan Net Assets</u>
<b>Municipal Police</b>		
SEI Foreign Investments	\$ 644,433	7.03%
Fiduciary Government Securities	1,660,594	18.12%
Fiduciary Mortgages	700,300	7.64%
Fiduciary Corporate Fixed Income	669,705	7.30%
Fiduciary Corporate Stocks	4,705,080	51.35%
<b>Total Municipal Police</b>	<u>\$ 8,380,112</u>	
<b>Municipal Firemen</b>		
Salem Trust Money Market	\$ 423,969	6.33%
Salem Trust Government Securities	891,055	13.25%
Salem Trust Corporate Fixed Income	1,287,987	19.16%
Salem Trust Mortgages	769,939	11.45%
Salem Trust Corporate Stocks	3,349,565	49.83%
<b>Total Municipal Firemen</b>	<u>\$ 6,722,515</u>	
<b>General Employees</b>		
SunTrust Corporate Fixed Income	\$ 2,749,566	12.04%
SunTrust Corporate Stocks	5,001,266	21.90%
SunTrust Government Securities - Loomis	2,829,140	12.39%
SunTrust Corporate Fixed Income - Loomis	5,771,704	25.28%
SunTrust Corporate Stocks - Loomis	6,074,590	26.61%
<b>Total General Employees</b>	<u>\$ 22,426,266</u>	

### Note 4 - Accounts Receivable

Receivables as of the year end for the City's individual major funds and nonmajor special revenue funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

<b>Type of Receivable</b>	<u>General Fund</u>	<u>Enterprise Funds</u>	<u>Nonmajor &amp; Other Funds</u>	<u>Total</u>
Accounts Receivable - Billed	\$ 298,380	\$4,510,875	\$ 198,412	\$ 5,007,667
Accounts Receivable - Unbilled	25,804	3,710,121	0	3,735,925
Total	324,184	8,220,996	198,412	8,743,592
Less: Allowance for Uncollectible Accounts	(17,897)	(626,384)	0	(644,281)
Accounts Receivable (Net)	<u>\$ 306,287</u>	<u>\$7,594,612</u>	<u>\$ 198,412</u>	<u>\$ 8,099,311</u>

# CITY OF LEESBURG, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

### Note 5 - Deferred Revenue

Governmental funds report deferred revenue in conjunction with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Of the \$264,837 reported as deferred revenue in the General Fund, \$122,630 represents unearned occupational license revenue. Customer deposits for marina, Mote-Morris house, and other property rentals total \$41,516 are reported as deferred revenues since the deposits are not restricted. A total of \$45,538 has been received for the local law enforcement block grant, and is not recorded as revenue as there have not been expenditures to match the revenues.

### Note 6 - Capital Assets

Capital asset activity for the year ended September 30, 2003, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 6,356,057	\$1,570,994	\$ 0	\$ 7,927,051
Construction in Progress	<u>4,295,863</u>	<u>10,073,928</u>	<u>(1,343,055)</u>	<u>13,026,736</u>
Total Capital Assets Not Being Depreciated	<u>10,651,920</u>	<u>11,644,922</u>	<u>(1,343,055)</u>	<u>20,953,787</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	24,553,824	2,600,473	0	27,154,297
Equipment	9,354,772	1,401,915	(579,638)	10,177,049
Infrastructure (Road and Streets)	<u>20,715,576</u>	<u>0</u>	<u>0</u>	<u>20,715,576</u>
Total Capital Assets Being Depreciated	<u>54,624,172</u>	<u>4,002,388</u>	<u>(579,638)</u>	<u>58,046,922</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(9,670,366)	(907,411)	0	(10,577,777)
Equipment	(6,413,722)	(994,689)	495,784	(6,912,627)
Infrastructure (Roads and Streets)	<u>(9,128,779)</u>	<u>(840,997)</u>	<u>0</u>	<u>(9,969,776)</u>
Total Accumulated Depreciation	<u>(25,212,867)</u>	<u>(2,743,097)</u>	<u>495,784</u>	<u>(27,460,180)</u>
Total Being Depreciated, Net	<u>29,411,305</u>	<u>1,259,291</u>	<u>(83,854)</u>	<u>30,586,742</u>
<b>Governmental Activities Capital Assets, Net</b>	<u><u>\$ 40,063,225</u></u>	<u><u>\$12,904,213</u></u>	<u><u>\$ (1,426,909)</u></u>	<u><u>\$ 51,540,529</u></u>
<b>Business-type Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 6,929,050	\$ 110,162	\$ 0	\$ 7,039,212
Construction in Progress	<u>5,964,373</u>	<u>5,453,509</u>	<u>(941,233)</u>	<u>10,476,649</u>
Total Capital Assets Not Being Depreciated	<u>12,893,423</u>	<u>5,563,671</u>	<u>(941,233)</u>	<u>17,515,861</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	92,857,234	4,353,170	(1,307,334)	95,903,070
Equipment	<u>30,349,399</u>	<u>1,308,163</u>	<u>(796,844)</u>	<u>30,860,718</u>
Total Capital Assets Being Depreciated	<u>123,206,633</u>	<u>5,661,333</u>	<u>(2,104,178)</u>	<u>126,763,788</u>



# CITY OF LEESBURG, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

### Note 6 - Capital Assets (Concluded)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less Accumulated Depreciation for:				
Buildings	\$ (35,090,545)	\$(2,256,869)	\$ 890,277	\$ (36,457,137)
Equipment	(16,974,536)	(2,290,119)	741,340	(18,523,315)
Total Accumulated Depreciation	(52,065,081)	(4,546,988)	1,631,617	(54,980,452)
Total Being Depreciated, Net	71,141,552	1,114,345	(472,561)	71,783,336
<b>Total Business-type Activities</b>				
<b>Capital Assets, Net</b>	<u>\$ 84,034,975</u>	<u>\$6,678,016</u>	<u>\$ (1,413,794)</u>	<u>\$ 89,299,197</u>

#### Depreciation Expense - Governmental Activities

General Government and Administration	\$ 497,437
Public Safety	382,787
Physical Environment	103,819
Transportation	
1,176,489	
Economic Environment	21,662
Human Services	37,249
Parks and Recreation	523,654

**Total Depreciation Expense - Governmental Activities** \$ 2,743,097

#### Depreciation Expense - Business-type Activities

Electric Utility	\$
2,162,305	
Gas Utility	270,166
Water Utility	541,091
Wastewater Utility	1,278,861
Solid Waste Utility	184,125
Communication Services	110,440

**Total Depreciation Expense - Business-type Activities** \$ 4,546,988

### Note 7 - Interfund Account

Interfund receivable and payable at fund level balances at year-end are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
<b>Governmental Funds</b>		
General Fund	\$ 530,605	\$ 0
Community Development	0	530,605
<b>Total</b>	<u><u>\$ 530,605</u></u>	<u><u>\$ 530,605</u></u>
<b>Business-type Funds</b>		
Electric Utility	\$ 1,897,723	\$ 0
Communication Services	0	1,897,723
<b>Total</b>	<u><u>\$ 1,897,723</u></u>	<u><u>\$ 1,897,723</u></u>

# CITY OF LEESBURG, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

### Note 8 - Long-term Liabilities

Long-term liability activity for the year ended September 30, 2003, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities</b>					
Revenue Bonds and Notes:					
Capital Improvement Revenue					
Bonds - 1999	\$ 7,170,000	\$ 0	\$ (125,000)	\$ 7,045,000	\$ 130,000
Note Payable - 1999 GLCRA	209,455	0	(13,370)	196,085	14,089
Total Revenue Bonds and Notes	<u>7,379,455</u>	<u>0</u>	<u>(138,370)</u>	<u>7,241,085</u>	<u>144,089</u>
Other Liabilities:					
Compensated Absences	1,385,834	1,260,005	(1,098,548)	1,547,291	851,010
Suit Settlement	390,000	0	(60,000)	330,000	60,000
Total Other Liabilities	<u>1,775,834</u>	<u>1,260,005</u>	<u>(1,158,548)</u>	<u>1,877,291</u>	<u>911,010</u>
<b>Total Governmental Activities</b>	<u>\$ 9,155,289</u>	<u>\$ 1,260,005</u>	<u>\$ (1,296,918)</u>	<u>\$ 9,118,376</u>	<u>\$ 1,055,099</u>
<b>Business-type Activities</b>					
Revenue Bonds and Notes Payable:					
Utilities System Refunding Revenue					
Bonds - 1999A/B	\$26,895,000	\$ 0	\$ (505,000)	\$ 26,390,000	\$ 525,000
Less Deferred Refundings and Discounts	(695,829)	0	69,221	(626,608)	0
Notes Payable FMPA Pooled	0	6,077,000	0	6,077,000	0
Total Revenue Bonds and Notes Payable	<u>26,199,171</u>	<u>6,077,000</u>	<u>(435,779)</u>	<u>31,840,392</u>	<u>525,000</u>
Other Liabilities:					
CR#3 Decommissioning Cost Payable	3,808,150	171,000	0	3,979,150	0
Landfill Postclosure Payable	922,352	11,170	(60,170)	873,352	49,000
Compensated Absences	689,113	573,186	(506,618)	755,681	415,625
Total Other Liabilities	<u>5,419,615</u>	<u>755,356</u>	<u>(566,788)</u>	<u>5,608,183</u>	<u>464,625</u>
<b>Total Business-type Activities</b>	<u>\$31,618,786</u>	<u>\$ 6,832,356</u>	<u>\$ (1,002,567)</u>	<u>\$ 37,448,575</u>	<u>\$ 989,625</u>

The following is a schedule of bonds and notes outstanding at September 30, 2003:

<u>Description of Bonds</u>	<u>Purpose of Issue</u>	<u>Issued</u>	<u>Outstanding</u>	<u>Rates</u>
<b>Governmental Activities</b>				
Revenue Bonds and Revenue Notes:				
Capital Improvement Revenue				
Bonds - 1999 GLCRA	Capital Improvement	\$ 7,345,000	\$ 7,045,000	3.65% - 5.50%
Note Payable	Real Estate	249,284	196,085	5.25%
<b>Total Governmental Activities</b>		<u>\$ 7,594,284</u>	<u>\$ 7,241,085</u>	
<b>Business-type Activities</b>				
Notes Payable FMPA Pooled Loan	Capital Improvement	\$ 6,077,000	\$ 6,077,000	0.6%
FMPA Commercial Paper				
Utilities System Refunding Revenue				
Bonds - 1999A/B	Refunding/Wastewater Plant	27,850,000	26,390,000	3.60% - 5.375%
<b>Total Business-type Activities</b>		<u>\$33,927,000</u>	<u>\$ 32,467,000</u>	

**CITY OF LEESBURG, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

**Note 8 - Long-term Liabilities (Continued)**

Debt service to maturity on the City's bonded indebtedness and note payable are as follows:

<b>Bonds Payable</b>				
<b>Fiscal Year</b>	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2004	\$ 130,000	\$ 368,420	\$ 525,000	\$ 1,334,931
2005	135,000	362,615	550,000	1,311,831
2006	140,000	356,315	570,000	1,286,894
2007	145,000	349,645	595,000	1,260,119
2008	155,000	342,476	620,000	1,231,599
2009-2013	880,000	1,587,187	3,580,000	5,652,399
2014-2018	1,130,000	1,319,663	4,590,000	4,587,419
2019-2023	1,475,000	955,625	5,920,000	3,182,294
2024-2028	1,930,000	478,225	7,655,000	1,345,631
2029-2033	<u>925,000</u>	<u>26,125</u>	<u>1,785,000</u>	<u>0</u>
<b>Total</b>	<u><u>\$ 7,045,000</u></u>	<u><u>\$ 6,146,296</u></u>	<u><u>\$ 26,390,000</u></u>	<u><u>\$ 21,193,117</u></u>

  

<b>Notes Payable</b>				
<b>Fiscal Year</b>	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2004	\$ 14,089	\$ 9,958	\$ 0	\$ 85,078
2005	14,846	9,201	0	85,078
2006	15,645	8,402	184,000	82,502
2007	16,486	7,561	193,000	79,800
2008	17,373	6,674	203,000	76,958
2009-2013	103,860	18,311	1,176,000	337,008
2014-2018	13,786	311	1,500,000	241,500
2019-2023	0	0	1,915,000	119,630
2024-2028	<u>0</u>	<u>0</u>	<u>906,000</u>	<u>6,496</u>
<b>Total</b>	<u><u>\$ 196,085</u></u>	<u><u>\$ 60,418</u></u>	<u><u>\$ 6,077,000</u></u>	<u><u>\$ 1,114,050</u></u>

**Governmental Activity Liabilities**

A summary of all governmental long-term debt as of September 30, 2003, follows:

▪ **Capital Improvement Bonds, 1999**

The 1999 Capital Improvement Bonds are fully registered bonds and are collateralized by a pledge of the proceeds of the local government half-cent sales tax and the proceeds of the guaranteed entitlement portion of state revenue sharing funds. The 1999 bonds are not general obligations or indebtedness of the City within the meaning of the Constitution of the State of Florida. The bond ordinances provide for a current sinking fund and debt service reserve. The bonds are callable at various dates from 100% to 101% of face value.

## CITY OF LEESBURG, FLORIDA

### NOTES TO FINANCIAL STATEMENTS (Continued)

#### Note 8 - Long-term Liabilities (Continued)

- **Note Payable (GLCRA)**

A fifteen-year mortgage for the purpose of the Christley property by the Greater Leesburg Community Redevelopment Agency Fund that extends through May 2014, and will cost \$24,048 annually.

- **Suit Settlement Payable**

During 1998, the City settled a civil rights lawsuit in which it was a codefendant. The settlement called for the City to pay the plaintiff \$634,000, of which \$100,000 was covered by insurance. Additional terms of the settlement call for the City to fund the budget of a local agency \$30,000 per year for ten years until September 30, 2007. During fiscal year ended 2001, the settlement was amended to require the City to pay an additional \$30,000 for ten years to the local agency until September 30, 2010.

- **Business-type Activity Liabilities**

The following is a summary of all long-term liabilities of the proprietary funds at September 30, 2003:

- **Utilities System Refunding Revenue Bonds, Series 1999A/B**

The 1999 bonds are fully registered bonds and are collateralized by a pledge of the net revenues of the utilities system. The bond ordinances provide for a current sinking fund, debt service reserve, term bond security purchase agreement, and a renewal and replacement account. The bonds are callable at various dates from 100% to 105% of face value.

- **Note Payable, FMPA Pooled Loan Program**

Florida Municipal Power Agency is the grantor for this loan and is acting as agent for the Initial Pooled Loan Project. This loan provides for acquisition, construction, improvement, and repair of various infrastructure improvements located in the City. Among those improvements is construction of a water reuse system, including pumping, storage facilities and transmission mains. The term of the loan is twenty years, and interest charged on the loan is based on FMPA's commercial paper rate plus 0.6%. The loan agreement was executed on September 23, 2003, and as of the fiscal year end the City has not drawn any funds on the loan. The principal amount of this loan is \$6,077,000.

- **Estimated Landfill Closure and Postclosure Care Costs**

The City closed its present landfill site on September 1, 1995, at a total cost of \$3,326,000. The cost of the closure was financed by user fees over the useful life of the landfill. As required by state law, the City is now performing postclosure monitoring activities.

# CITY OF LEESBURG, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

### Note 8 - Long-term Liabilities (Continued)

- **Business-type Activity Liabilities (Continued)**
  - **Estimated Landfill Closure and Postclosure Care Costs (Concluded)**

<b>Balance, September 30, 2002</b>	\$ 922,352
Adjustment of Estimate	11,170
Total Annual Costs Paid	<u>(60,170)</u>
<b>Balance, September 30, 2003</b>	873,352
(Current Maturities)	<u>(49,000)</u>
<b>Total Long-term Portion</b>	<u><u>\$ 824,352</u></u>

In 1994, the City implemented GASB Statement No. 18 entitled *Accounting for Municipal Solid Waste Landfill Closure and Post-closure Care Costs*. This statement requires accounting recognition be given to all estimated closure and postclosure care costs during the operating life of the landfill.

The \$873,352 liability recorded represents the estimated costs of postclosure care for thirteen years after closure as required by state and federal laws and regulations. This amount was calculated by the City's consulting engineer. The actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City is required to deposit adequate funds into an escrow account before year-end to meet postclosure care costs for the following year. During the year ended September 30, 1992, the City established an escrow subaccount within the City's pooled cash system for this purpose. The following is a schedule of the transactions in this account during fiscal year 2003:

<u>Transaction Date</u>	<u>Amount</u>
<b>Balance, September 30, 2002</b>	\$ 75,468
Investment Income	<u>1,609</u>
<b>Balance, September 30, 2003</b>	<u><u>\$ 77,077</u></u>

The above schedule was prepared in accordance with the requirements of Rule 62-701.630 of the Florida Administrative Code.

- **Crystal River III Nuclear Decommission Costs Payable**  
The City is responsible for its share of the future costs to decommission the Crystal River III Nuclear Generating Unit. The City is accruing this cost over the expected useful life of the plant.
- **Crystal River III Decommissioning Trust Fund**  
Federal law requires that an external trust fund be created to accumulate amounts to pay for the future plant decommissioning. The City contributes to a common trust fund, maintained by FMPA, for all its members that own a portion of the Crystal River III Nuclear Generating Unit. As of September 30, 2003, the City has a balance in the trust fund of \$3,038,350.

# CITY OF LEESBURG, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

### Note 8 - Long-term Liabilities (Concluded)

▪ **Business-type Activity Liabilities (Concluded)**

• **Defeased Debt**

Defeased debt of the City that remains publicly traded is as follows:

Utilities Revenue Certificates, Series 1977	<u>\$ 5,605,000</u>
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### Note 9 - Segment Information

The City issued revenue bonds to finance utility operations. Although the entire system revenues are pledged, investors rely solely on the revenue generated by the individual activities for repayment. A condensed summary of the information for the enterprise funds is as follows:

	<u>Electric Utility</u>	<u>Gas Utility</u>	<u>Water Utility</u>	<u>Sanitary Sewer and Wastewater Utility</u>	<u>Solid Waste Utility</u>	<u>Communi- cation Services Utility</u>	<u>Total</u>
Operating Revenues	\$40,018,906	\$ 6,673,500	\$ 3,961,263	\$ 4,609,315	\$ 2,855,808	\$ 389,125	\$ 58,507,917
Operating Expenses	<u>(35,825,519)</u>	<u>(6,618,337)</u>	<u>(3,333,533)</u>	<u>(4,996,122)</u>	<u>(2,624,743)</u>	<u>(347,789)</u>	<u>(53,746,043)</u>
Operating Income (Loss)	4,193,387	55,163	627,730	(386,807)	231,065	41,336	4,761,874
Nonoperating Revenue (Expense)	<u>365,067</u>	<u>41,694</u>	<u>453,732</u>	<u>(43,182)</u>	<u>52,550</u>	<u>(17,045)</u>	<u>852,816</u>
Income Before Transfers	4,558,454	96,857	1,081,462	(429,989)	283,615	24,291	5,614,690
Transfers	<u>(4,972,429)</u>	<u>(633,765)</u>	<u>(1,765,280)</u>	<u>(330,816)</u>	<u>(240,576)</u>	<u>(1,156)</u>	<u>(7,944,022)</u>
<b>Net (Loss) Income</b>	<u>\$ (413,975)</u>	<u>\$ (536,908)</u>	<u>\$ (683,818)</u>	<u>\$ (760,805)</u>	<u>\$ 43,039</u>	<u>\$ 23,135</u>	<u>\$ (2,329,332)</u>

The balances of the restricted assets of the enterprise funds are as follows:

	<u>Electric Utility</u>	<u>Gas Utility</u>	<u>Water Utility</u>	<u>Sanitary Sewer and Wastewater Utility</u>	<u>Solid Waste Utility</u>	<u>Communi- cation Services Utility</u>	<u>Total</u>
Debt Service	\$ 484,656	\$ 59,334	\$ 141,791	\$ 517,447	\$ 0	\$ 0	\$ 1,203,228
Customer Deposits	1,863,704	113,960	110,175	44,315	1,415	4,028	2,137,597
Renewal and Replacement	3,174,692	353,046	941,397	671,340	0	0	5,140,475
Impact Fees Account	0	0	1,158,543	908,790	0	0	2,067,333
FMFA Loan Cash with Trustee	514,000	0	3,009,500	2,553,500	0	0	6,077,000
Gas Depository Trust	0	439,000	0	0	0	0	439,000
CR#3 Decommissioning	<u>3,038,350</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,038,350</u>
<b>Total Restricted Assets</b>	<u>\$9,075,402</u>	<u>\$ 965,340</u>	<u>\$ 5,361,406</u>	<u>\$ 4,695,392</u>	<u>\$ 1,415</u>	<u>\$ 4,028</u>	<u>\$ 20,102,983</u>

## CITY OF LEESBURG, FLORIDA

### NOTES TO FINANCIAL STATEMENTS (Continued)

#### Note 10 - Operating Leases

The City is lessor on various leases of facilities located at the Leesburg Regional Airport and other leases for property owned by the City. The leased facilities are included in the City's governmental activity capital assets. The following is a schedule of minimum future lease income on noncancelable operating leases:

<u>September 30,</u>	<u>Amount</u>
2004	\$ 412,331
2005	374,969
2006	358,105
2007	276,753
2008	200,234
2009 - 2013	952,168
2014 - 2018	825,951
2019 - 2023	301,778
2024 - 2028	<u>22,984</u>
<b>Total Minimum Lease Payments</b>	<b><u>\$ 3,725,273</u></b>

#### Note 11 - Electric Power Agreements

##### **Crystal River Unit No. 3 Participation Agreement**

The City is a participant in an agreement with Florida Power Corporation. Under terms of the agreement, the City acquired a 0.8244% ownership interest and generation entitlement share in the nuclear steam electric generating unit. Participants are entitled to energy output of the unit based upon their respective generation entitlement share.

Florida Power Corporation has been appointed by the participants to act as their agent and has sole authority to manage, control, maintain and operate the unit. Operating costs of the unit, in general, are shared in proportion to each generation entitlement share on a monthly basis. Common and external facilities of the generating unit are solely owned by Florida Power Corporation, and participants share in the operating and maintenance expenses of such facilities.

The participation agreement provides for reversion of the ownership interest of the unit to Florida Power Corporation upon retirement from service. The book value of the investment included in utility plant in service on September 30, 2003, was \$948,693.

##### **Florida Municipal Power Agency (FMPA)**

The City is a member of FMPA. FMPA was created pursuant to Chapter 163, Parts I and II (The Interlocal Act and The Joint Power Act) to, among other things, provide a means for the Florida municipal corporations to cooperate with each other to provide for their present and projected energy needs. The City has limited oversight authority over the operation of FMPA. This oversight is manifested in the appointment of one member to the 28-member Board of Directors of FMPA. Furthermore, the City, by agreement, has no equity interest in any of the assets owned by FMPA. The City participates in the following FMPA projects:

## CITY OF LEESBURG, FLORIDA

### NOTES TO FINANCIAL STATEMENTS (Continued)

#### Note 11 - Electric Power Agreements (Concluded)

##### **Florida Municipal Power Agency (FMPA) (Concluded)**

- **St. Lucie No. 2 Power Purchase Agreement**

The City, through FMPA, has negotiated an agreement with Florida Power and Light Corporation guaranteeing the City the right to purchase up to 2,326 megawatts of generating capacity from the St. Lucie No. 2 nuclear generating plant. This plant became operational in 1984. The cost of this agreement has been capitalized and is being amortized over the plant's expected useful life.

- **All-Requirement Power Supply Agreement**

The City has an agreement with FMPA whereby the City is purchasing its electric power from FMPA on an all-requirement basis. The agreement will remain in effect until October 1, 2020, with two optional successive ten-year renewal periods. Power rates charged to the City by FMPA are subject to a majority vote of the Board of Directors of FMPA.

#### Note 12 - Defined Benefit Pension Plans

**Plan Descriptions and Contribution Information** - The City maintains three separate single-employer pension plans, one for police officers, one for firemen, and a general employees' retirement plan that covers substantially all other full-time City employees. These plans are maintained as pension trust funds and included as part of the City's reporting entity. City ordinance and state law requires contributions to be determined by actuarial studies. The City Commission has the authority to establish and amend the benefit provisions of the Plan. Administrative costs are financed through contributions and investment earnings. Stand-alone financial reports are not issued.

**Basis of Accounting** - The Plan's financial statements are prepared using the modified accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are recorded with the custodian. Benefits are recognized when paid in accordance with the terms of each plan.

**Methods Used to Value Investments** - Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

All three plans provide retirement, disability, and death benefits to Plan members and their beneficiaries as described below:

##### **General Employees Retirement Plan (GERP)**

The Plan is a 100% employer contributory defined benefit plan and covers all full time employees except firefighters. Participants who have completed 5 years of credited service are partially vested in the Plan and become fully vested after 10 years of credited service.



## **CITY OF LEESBURG, FLORIDA**

### **NOTES TO FINANCIAL STATEMENTS** *(Continued)*

#### **Note 12 - Defined Benefit Pension Plans (Continued)**

##### **General Employees Retirement Plan (GERP) (Continued)**

Normal retirement benefits are paid to participants who have reached age 65. Benefits are payable at the rate of 2.0% of average final monthly compensation multiplied by the number of years of credited service up to a maximum of 45 years. The Plan also provides for early retirement, late retirement, and disability retirement, and death benefits at rates defined in the plan document.

The City is required to contribute at an actuarially determined rate. Plan members are not allowed to contribute. Contribution requirements are established by City Code Section 17.121. City Code Section 17.121 may be amended by the City Commission.

The City accrues and contributes an amount, as determined by an actuary, to fund the annual, normal cost and prior service cost amortized over forty years. The City's contribution was established at 8.5% of the covered payroll for fiscal year 2002-03.

##### **Municipal Police Retirement Plan (MPRP)**

The Plan covers police officers (other police department employees are covered in the GERP). Employees contribute 7.65% of their annual compensation, including overtime and educational incentive pay. The State of Florida collects and remits a 1% excise tax on gross premiums from casualty insurance policies covering property within the corporate limits to the fund pursuant to the provisions of Chapter 185, Florida Statutes.

Participants who have completed 10 years of credited service are 100% vested in plan benefits. Participants whose service is terminated prior to completing 10 years of credited service are entitled to the return of their employee contributions without interest. Normal retirement benefits are payable to participants who have reached the earlier of age 50 with 25 years of credited service, or age 55 with 10 years of credited service. Such benefits are payable at a rate of 2% of the average monthly compensation for the 4 highest years of service multiplied by the number of years of credited service. The Plan also provides for early retirement, disability retirement, and death benefits at rates defined in the plan document.

Per City Code Section 17.91, the City Commission may amend established contribution requirements. Since the members of this plan are also members of the General Employees Pension Plan, which is fully funded through City contributions, the City does not contribute to this fund. The benefits from this plan supplement the benefits paid by the general employee retirement plan.

##### **Municipal Firemen's Retirement Plan (MFRP)**

The Plan covers firefighters who have completed one year of employment. Firefighters contribute 6.5% of their annual compensation to the Plan. The State of Florida collects and remits a 1% excise tax on gross premiums from fire insurance covering property within the corporate limits to the fund pursuant to the provisions of Chapter 175, Florida Statutes.

# CITY OF LEESBURG, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

### Note 12 - Defined Benefit Pension Plans (Continued)

#### **Municipal Firemen's Retirement Plan (MFRP) (Concluded)**

Participants who have completed 10 years of credited service are 100% vested in plan benefits. Participants whose service is terminated prior to completing 10 years of credited service are entitled to the return of their employee contributions plus interest at the rate of 5% compounded annually. Normal retirement benefits are payable to participants who have reached the earlier of age 52 with 25 years of credited service, or age 55 with 10 years of credited service. Such benefits are payable at a rate of 3% of the average monthly compensation multiplied by the number of years of credited service. The Plan also provides for early retirement, deferred retirement, disability retirement, and death benefits at rates defined in the plan document.

Pursuant to the plan document, the City accrues and contributes an additional amount, determined by an actuary, to fund the annual normal cost and prior service cost amortized over forty years. The City's contribution is limited to the rate of covered payroll contributed to the GERP, which was established at 8.5% of the covered payroll for fiscal year 2002-03.

Membership of each plan consisted of the following:

<b>Date of Actuarial Valuation:</b>	<b>10/01/02 GERP</b>	<b>10/01/02 MPRP</b>	<b>10/01/02 MFRP</b>
Retirees and Beneficiaries Receiving Benefits	119	17	13
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	109	1	0
Active Plan Members	<u>322</u>	<u>61</u>	<u>32</u>
<b>Total</b>	<u><u>550</u></u>	<u><u>79</u></u>	<u><u>45</u></u>

#### **Annual Pension Costs and Net Pension Obligation**

The City's annual pension cost and net pension obligation to GERP, MPRP and MFRP for the current year were as follows:

	<b>GERP</b>	<b>MPRP</b>	<b>MFRP</b>
Annual Required Contribution (ARC)	\$ 1,017,781	\$ 111,757	\$ 329,000
Interest on Net Pension Obligation	<u>(70,327)</u>	<u>(2,376)</u>	<u>(36,856)</u>
Annual Pension Cost	947,454	109,381	292,144
Contributions Made	(719,336)	(117,037)	(310,404)
Net Pension Obligation, Beginning of Year	<u>(879,082)</u>	<u>(29,692)</u>	<u>(460,704)</u>
<b>Net Pension Obligation, End of Year</b>	<u><u>\$ (650,964)</u></u>	<u><u>\$ (37,348)</u></u>	<u><u>\$ (478,964)</u></u>

#### **Other Pension Plan Information**

The annual required contribution, actuarial cost method and actuarial assumptions are described in the required supplementary information. The actuarial cost method does not

**CITY OF LEESBURG, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**Note 12 - Defined Benefit Pension Plan (Continued)**

**Other Pension Plan Information (Concluded)**

identify or separately amortize unfunded actuarial liabilities. The actuarial value of assets was determined using market value for all plans.

The excess of the actuarial value of assets over the actuarial accrued liabilities is being amortized using the levels described in the required supplementary information. Because the NPO is negative, it has not been recorded in the accompanying financial statements.

**Three-year Trend Information**

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
<b><u>GERP</u></b>			
09/30/01	\$ 533,119	107%	\$ (837,885)
09/30/02	650,633	106%	(879,082)
09/30/03	947,454	132%	(650,964)
<b><u>MPRP</u></b>			
09/30/01	\$ 78,380	105%	\$ (31,338)
09/30/02	286,192	119%	(87,966)
09/30/03	109,381	94%	(37,348)
<b><u>MFRP</u></b>			
09/30/01	\$ 181,730	140%	\$ (411,128)
09/30/02	342,711	105%	(460,704)
09/30/03	292,144	107%	(478,964)

Below is a summarized schedule of the general and the police and fire pension plan assets and changes in the net assets of the plans:

**CITY OF LEESBURG, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

*(Continued)*

**Note 12 - Defined Benefit Pension Plans (Concluded)**

**Deferred Compensation Fund (Concluded)**

**SCHEDULE OF PENSION PLAN NET ASSETS AS OF SEPTEMBER 30, 2003**

	<b>Municipal Police Retirement Plan</b>	<b>Municipal Firemen's Retirement Plan</b>	<b>General Employees' Retirement Plan</b>	<b>Total</b>
<b>Assets</b>				
Cash and Investments with Trustees	\$ 9,163,392	\$ 6,756,606	\$ 22,832,286	\$ 38,752,284
Interest Receivable	34,009	32,865	25,142	92,016
<b>Total Assets</b>	<u>9,197,401</u>	<u>6,789,471</u>	<u>22,857,428</u>	<u>38,844,300</u>
Due to Other Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net Assets Reserved for Employees' Pension Benefits</b>	<u>\$ 9,197,401</u>	<u>\$ 6,789,471</u>	<u>\$ 22,857,428</u>	<u>\$ 38,844,300</u>

**SCHEDULE OF THE CHANGE IN PENSION PLAN NET ASSETS AS OF SEPTEMBER 30, 2003**

<b>Additions</b>				
Contributions:				
Employer	\$ 0	\$ 100,793	\$ 719,336	\$ 820,129
Employee	214,544	100,793	0	315,337
State of Florida	159,150	108,818	0	267,968
<b>Total Contributions</b>	<u>373,694</u>	<u>310,404</u>	<u>719,336</u>	<u>1,403,434</u>
Investment Income:				
Net Appreciation (Depreciation) in Fair Value of Investments	989,236	700,204	1,532,263	3,221,703
Interest and Dividend Income	247,510	233,414	653,701	1,134,625
Other Income (Loss)	7,762	26	0	7,788
<b>Total Investment Income</b>	<u>1,244,508</u>	<u>933,644</u>	<u>2,185,964</u>	<u>4,364,116</u>
<b>Total Additions</b>	<u>1,618,202</u>	<u>1,244,048</u>	<u>2,905,300</u>	<u>5,767,550</u>
<b>Deductions</b>				
Benefit Payments	338,287	223,972	1,141,864	1,704,123
Administrative Expense	92,108	58,185	195,223	345,516
<b>(Total Deductions)</b>	<u>(430,395)</u>	<u>(282,157)</u>	<u>(1,337,087)</u>	<u>(2,049,639)</u>
<b>Net Increase</b>	<u>1,187,807</u>	<u>961,891</u>	<u>1,568,213</u>	<u>3,717,911</u>
<b>Net Assets Reserved for Employees' Pension Benefits:</b>				
<b>Beginning of Year</b>	<u>8,009,594</u>	<u>5,827,580</u>	<u>21,289,215</u>	<u>35,126,389</u>
<b>End of Year</b>	<u>\$ 9,197,401</u>	<u>\$ 6,789,471</u>	<u>\$ 22,857,428</u>	<u>\$ 38,844,300</u>

# CITY OF LEESBURG, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

### Note 13 - Self-insurance Fund

#### **Employee Health Insurance Fund**

The City maintains a self-insurance program for the payment of employee health and medical claims. The program provides for the payment of City and employee contributions into a self-insurance fund, which is managed by the City and its administrative agent. Employee claims up to \$75,000 per person are paid from the assets of the self-insurance fund; claims in excess of \$75,000, up to a maximum of \$925,000 per employee per year, are paid from a reinsurance policy purchased by the City. The aggregate stop loss reinsurance policy indemnifies the City if total claims paid during the year exceed the aggregate attachment point.

#### **Workers' Compensation Insurance Fund**

The City maintains a self-insurance program for the payment of employee workers' compensation claims. The program provides for City contributions into a self-insurance fund which is managed by the City and its administrative agent. Employee claims up to \$500,000 per occurrence are paid from the assets of the self-insurance fund with amounts in excess of \$500,000 per occurrence being paid from a reinsurance policy purchased by the City.

Liabilities for known claims incurred but not reported are listed below:

	<b>Balance October 1, 2002</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>(Claims Paid)</b>	<b>Balance September 30, 2003</b>
Employee Health Insurance Fund	\$ 367,416	\$ 1,777,577	\$ (1,622,528)	\$ 522,465
Workers' Compensation Insurance Fund	643,100	781,717	(476,128)	948,689
<b>Total</b>	<u>\$ 1,010,516</u>	<u>\$ 2,559,294</u>	<u>\$ (2,098,656)</u>	<u>\$ 1,471,154</u>

The liability for the health insurance and workers' compensation claims incurred, but not reported, was calculated based on an actuarial valuation using actual claims history data by month and weighted lives to estimate future projected claims.

### Note 14 - Deferred Compensation Fund

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation plan is not available to employees until termination, retirement, death, or unforeseeable emergency.

## **CITY OF LEESBURG, FLORIDA**

### **NOTES TO FINANCIAL STATEMENTS** *(Continued)*

#### **Note 14 - Deferred Compensation Fund (Concluded)**

In October 1997, the GASB issued Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. This statement allows the employer to not report the assets and liabilities in their financial statements if the employer has met the new criteria of the Internal Revenue Code Section 457 and does not retain fiduciary accountability for the plan assets.

Accordingly, the City has implemented GASB Statement No. 32, and no longer includes the assets and liabilities of the deferred compensation fund in its financial statements. There is no effect on the City's overall fund balance or retained earnings, as the plan was an agency fund in which plan assets equals liabilities.

It is the opinion of the City that the City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The City believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

#### **Note 15 - Contingencies and Commitments**

The City participates in a number of state and federal grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs as of and including the year ended September 30, 2003, have not yet been accepted/approved by the grantors. Accordingly, the final determination of the City's compliance with applicable grant requirements will be established at a future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined, although the City expects such amounts, if any, to be immaterial.

The City is defending several claims and judgements arising from the normal course of business. The City expects to prevail in these matters; however, the final outcomes have not yet been determined.

#### **Note 16 - Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. Insurance against losses are provided for the following types of risk:

- General and Automobile Liability
- Commercial Property Damage
- Contractors' Equipment
- Crime

## **CITY OF LEESBURG, FLORIDA**

### **NOTES TO FINANCIAL STATEMENTS** *(Continued)*

#### **Note 16 - Risk Management (Concluded)**

The City is self-insured for workers' compensation and employee health as explained in note 13. Amounts of settlements, if any, have not exceeded insurance coverage for each of the past three years.

#### **Note 17 - Postemployment Benefits**

In addition to the pension benefits described in note 13, the City provides postretirement health care benefits, in accordance with City ordinance, to all employees who retire from the City. Employees retiring between the age of 50 and 58 may remain in the City's plan and pay all premium costs. Employees retiring on or after attaining age 58 with at least 15 years of service remain in the plan with all employee premiums paid by the City. Retirees reaching the age of 65 with less than 15 years of service pay 60% of the premiums for a Medicare supplement. In all cases, the retiree is responsible to pay dependent care premiums.

Expenses for postretirement health care benefits are recognized as retirees report claims and include a provision of estimated claims incurred, but not reported. During the year, expenses of \$276,237 were recognized for postretirement health care, which were offset by \$139,154 of retiree premiums paid. Currently, there are 64 retirees that the City continues to pay health insurance premiums for and 37 who are responsible for all or one-half of their premiums as discussed above.

#### **Note 18 - Construction Commitments**

The City has active construction projects as of September 30, 2003. The commitment for the Canal Street wastewater treatment facilities upgrade is financed by revenue bonds secured by system revenues. The parking garage expenses spent to date were funded from a \$750,000 community development block grant, and the remaining commitment will be funded with local option infrastructure surtax revenue.

The commitment for the concession stand at the Sleepy Hollow Recreation Complex is funded from a \$400,000 tourist development grant. Although the majority of the new police station was funded with bond proceeds of the 1999 Capital Improvement Revenue Bonds, the outstanding commitment is funded with local option infrastructure surtax revenue. As of September 30, 2003, the City had the following commitments related to significant unfinished construction projects:

**CITY OF LEESBURG, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**  
*(Concluded)*

**Note 18 - Construction Commitments (Concluded)**

	<b>Expended as of September 30, 2003</b>	<b>Remaining Commitment</b>
Highway 441 Corridor	\$ 53,830	\$ 8,076
Police Station (Design)	262,702	54,298
Police Station	3,652,740	573,833
Corporate Airport Hangars (Design)	21,140	123,845
Master Trail Plan	56,309	6,190
Airport Taxiway (Design)	56,490	14,605
Airport Rehab Overlay (Design)	61,669	7,895
Sleepy Hollow Recreation Complex (Design)	30,088	44,000
Sleepy Hollow Recreation Complex	1,645,275	421,275
Downtown Parking Garage (Grant Manager)	15,400	36,600
Downtown Parking Garage	997,589	67,411
Rails to Trails	248,800	1,200
Land Development Code	21,825	78,175
Canal Street Wastewater Upgrade	504,617	309,598
Land Use Study for County Road 470	69,975	31,240
Radio and Telecommunication PBX System	0	71,235
Electric and Splicing Equipment for Fiber Optics	0	55,980
Communication System for 6 <sup>th</sup> Street	0	50,862
CSX Property Purchase (Grant Manager)	0	71,000
Electric Warehouse Pick-up Zone	0	89,858
Cleaning and Repair Water Tank	0	106,900
Sleepy Hollow Recreation Complex (Concession)	0	329,013
Landscape for Airport	0	75,000
Public Restroom on 3 <sup>rd</sup> Street	0	100,000



## **REQUIRED SUPPLEMENTARY INFORMATION**

The following supplemental schedules present trend information regarding the retirement plans for the City's general employees, municipal police and municipal firemen, and major fund budgetary comparison statements. This information is necessary for a fair presentation in conformity with generally accepted accounting principles.

**CITY OF LEESBURG, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2003**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget -</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues</b>				
Taxes	\$ 6,493,122	\$ 6,493,122	\$ 6,907,641	\$ 414,519
Licenses and Permits	417,500	417,500	431,630	14,130
Intergovernmental	1,346,692	1,430,219	1,524,804	94,585
Charges for Services	1,076,140	1,076,140	258,836	(817,304)
Fines and Forfeitures	283,700	283,700	288,317	4,617
Miscellaneous:				
Interest	235,748	238,748	138,100	(100,648)
Other	5,614,920	5,925,859	796,355	(5,129,504)
<b>Total Revenues</b>	<b>15,467,822</b>	<b>15,865,288</b>	<b>10,345,683</b>	<b>(5,519,605)</b>
<b>Expenditures</b>				
Current:				
General Government	6,478,792	6,644,094	1,072,010	5,572,084
Public Safety	8,641,278	9,363,773	9,154,635	209,138
Physical Environment	758,958	770,772	171,839	598,933
Transportation	1,156,165	1,196,741	1,134,593	62,148
Economic Environment	385,771	376,376	120,496	255,880
Human Services	50,438	50,518	45,769	4,749
Culture and Recreation	4,099,733	4,045,287	4,004,672	40,615
Capital Outlay	674,500	674,500	644,286	30,214
Debt Service:				
Principal Payments	0	0	60,000	(60,000)
<b>(Total Expenditures)</b>	<b>(22,245,635)</b>	<b>(23,122,061)</b>	<b>(16,408,300)</b>	<b>6,713,761</b>
<b>(Deficiency) of Revenues</b>				
<b>(Under) Expenditures</b>	<b>(6,777,813)</b>	<b>(7,256,773)</b>	<b>(6,062,617)</b>	<b>1,194,156</b>
<b>Other Financing Sources (Uses)</b>				
Transfers from Other Funds	6,705,264	6,290,540	6,112,628	(177,912)
Transfers to Other Funds	(252,175)	(393,282)	(124,680)	268,602
<b>Total Other Financing Sources</b>	<b>6,453,089</b>	<b>5,897,258</b>	<b>5,987,948</b>	<b>90,690</b>
<b>Net Change in Fund Balances</b>	<b>(324,724)</b>	<b>(1,359,515)</b>	<b>(74,669)</b>	<b>1,284,846</b>
<b>Fund Balance, Beginning of Year</b>	<b>6,285,334</b>	<b>6,285,334</b>	<b>6,285,334</b>	<b>0</b>
<b>Fund Balance, End of Year</b>	<b>\$ 5,960,610</b>	<b>\$ 4,925,819</b>	<b>\$ 6,210,665</b>	<b>\$ 1,284,846</b>

**CITY OF LEESBURG, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF FUNDING PROGRESS**

<b>General Employees' Retirement Plan</b>						
<b>Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability</b>	<b>Unfunded Accrued Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>UAAL as Percent of Payroll</b>
10/1/2002	\$ 25,285,323	\$ 23,048,129	\$(2,237,194)	109.71%	\$ 11,009,129	-20.32%
10/1/2001	24,823,681	22,587,237	(2,236,444)	109.90%	9,556,403	-23.40%
10/1/2000	23,865,971	24,190,400	324,429	98.66%	9,140,453	3.55%
10/1/1999	23,415,083	24,013,600	598,517	97.51%	8,856,516	6.76%
10/1/1998	21,206,286	21,561,900	355,614	98.35%	9,044,523	3.93%
10/1/1997	21,395,049	22,249,400	854,351	96.16%	8,466,060	10.09%

<b>Municipal Police Retirement Plan</b>						
<b>Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability</b>	<b>Unfunded Accrued Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>UAAL as Percent of Payroll</b>
10/1/2003	\$ 9,924,188	\$ 9,933,438	\$ 9,250	99.91%	\$ 2,813,551	0.33%
10/1/2002	9,758,130	9,789,401	31,271	99.68%	2,566,611	1.22%
10/1/2001	9,521,215	9,452,836	(68,379)	100.72%	2,211,172	-3.09%
10/1/2000	9,117,437	10,187,231	1,069,794	89.50%	2,140,554	49.98%
10/1/1999	8,028,330	9,027,398	999,068	88.93%	2,037,074	49.04%
10/1/1998	7,239,889	7,843,707	603,818	92.30%	2,012,767	30.00%
10/1/1997	7,323,316	7,957,129	633,813	92.03%	1,724,558	36.75%

**Municipal Firemen's Retirement Plan**

Not required due to use of the aggregate actuarial cost method.

**CITY OF LEESBURG, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF CONTRIBUTIONS FROM EMPLOYER AND OTHERS**

<b>Year Ended 9/30</b>	<b>General Employees' Retirement Plan (GERP)</b>		<b>Municipal Police Retirement Plan (MPRP)</b>		<b>Municipal Firemen's Retirement Plan (MFRP)</b>	
	<b>Annual Required Contribution (ARC)</b>	<b>Percentage Contributed</b>	<b>Annual Required Contribution (ARC)</b>	<b>Percentage Contributed</b>	<b>Annual Required Contribution (ARC)</b>	<b>Percentage Contributed</b>
2003	\$ 1,017,781	70.7%	\$ 111,757	104.7%	\$ 342,160	91%
2002	717,664	96.4%	87,345	134.0%	342,711	105%
2001	591,947	107.5%	0	100.0%	208,798	122%
2000	496,700	92.0%	0	100.0%	208,798	128%
1999	539,300	107.9%	0	100.0%	163,325	156%
1998	285,800	256.9%	0	100.0%	123,459	213%

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

	<b>GERP</b>	<b>MPRP</b>	<b>MFRP</b>
<b>Valuation Date</b>	October 1, 2002	October 1, 2003	October 1, 2002
<b>Actuarial Cost Method</b>	Frozen Initial Liability Cost	Frozen Entry Age	Aggregate Actuarial Cost
<b>Amortization Method</b>	Level Dollar, Closed	Level Dollar, Closed	N/A
<b>Remaining Amortization Period</b>	17-30 Years	28 Years	N/A
<b>Asset Valuation Method</b>	Asset Appreciation	Market Value	Market Value
<b>Actuarial Assumptions:</b>			
Investment Return	8.00%	8.00%	8.00%
Projected Salary Increases	5.50%	6.50%	6.00%
COLA	None	None	None

The actuarial cost method does not identify or separately amortized unfunded actuarial liabilities.